

Message Text

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ORIGIN NEA-12

INFO OCT-01 ISO-00 CIAE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15 USIA-15

ACDA-19 IO-15 OMB-01 MC-02 IGA-02 EB-11 COME-00 AID-20

TRSE-00 EUR-25 /179 R

DRAFTED BY DOD/OSD/DSAA:FTHIEBERGER:BG

APPROVED BY NEA/ARP:FMDICKMAN

DOD/OGC - MR. HERO

DOD/DA - MR. SHADA

DOD/DCAA - MR. VICK

DOD/NESA - MR. SHAEFFER

NEA/ARP - MR. WRAMPPELMEIER

PM/MAS - COL. FARNHAM

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R 291615Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

INFO SECDEF WASHDC

DA WASHDC

USCINCEUR

DOD/DCAA WASHDC

C O N F I D E N T I A L STATE 194531

E.O.: 11652: GDS

SUBJ: DCAA AUDIT FOR IMPROVED HAWK CONTRACT

REF: (A) JIDDA 4068; (B) STATE 153863

1. (C) DEPARTMENT AND DOD AGREE IT MAY BE WISE TO OFFER
TO SAG A MORE GENERAL USG REVIEW OF ITS PROPOSED CONTRACT
WITH RAYTHEON I.E., ALONG THE LINES OF PARA 7 REF A, IN
LIEU OF PROCEEDING WITH FULL FLEDGED DCAA AUDIT. IN
SUPPORT OF SUCH PROPOSAL YOU MIGHT WISH TO EXPLAIN
TO THE SAG THAT, ALTHOUGH THERE ARE MANY ADVANTAGES TO
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UTILIZING DCAA AUDIT SERVICES, THERE IS ALSO A MAJOR

DISADVANTAGE: BASED ON RECENT EXPERIENCE WITH OTHER COUNTRIES (FYI, IRAN, END FYI) AN ARRANGEMENT WITH DCAA AS CONTEMPLATED FOR SAG MAY BE UNSATISFACTORY UNLESS THE COUNTRY HAS ALREADY ESTABLISHED AN OPERATIVE AND EFFECTIVE CONTRACT ADMINISTRATION WHICH CAN EFFECTIVELY USE THE DCAA FINDINGS. WHILE DCAA CAN BE INSTRUMENTAL IN EVALUATING AND INTERPRETING COST AND OTHER FINANCIAL DATA PERTINENT TO THE CONTRACT, SAG WOULD STILL REQUIRE FULL RANGE OF CONTRACT MANAGEMENT AND ADMINISTRATION FUNCTIONS AND ORGANIZATION.

2. (C) BASED ON ABOVE A LESS COMPREHENSIVE USG INVOLVEMENT IN THIS CONTRACT COULD BE PROPOSED WHICH WOULD BE LIMITED TO AN ASSESSMENT AS TO WHETHER CONTRACTOR'S PROPOSAL IS QUOTE FAIR AND REASONABLE UNQUOTE. WE ARE NOT FULLY AT EASE ABOUT THIS SERVICE BECAUSE THERE IS DANGER THAT SAG WILL BLAME USG FOR SOME SUBSEQUENT CONTRACT DEFICIENCY, EITHER IN ITS TERMS OR IN ITS EXECUTION, NO MATTER HOW CAREFULLY WE DISCLAIMED RESPONSIBILITY AT TIME OF ASSESSMENT. NEVERTHELESS, WE HAVE RELUCTANTLY PROVIDED THIS SERVICE ON TWO PREVIOUS OCCASIONS (FYI, IRAN AND GREECE, END FYI) AND WE WERE NOT BURNED. WE ARE WILLING TO TRY IT AGAIN IF DOING SO IS ONLY OPTION OTHER THAN TAKING ON MANAGEMENT OF COMPLEX PROGRAM UNDER FMS OR OFFERING DCAA FULL AUDIT SERVICES ABOUT WHICH WE NOW HAVE DOUBTS AS TO PRACTICALITY.

3. IF YOU CONCUR, YOU MAY OFFER GENERAL USG "REVIEW" OUTLINED ABOVE AS PREFERENTIAL TO DCAA FULL AUDIT EARLIER PROPOSED TO SAG.

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